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TR 4	XMB 4	AIR 5
ARMY 3	CIA 16	NAVY 7
OSD 34	USIA 10	NSA 3
SEP 1	OPIC 1	NSC 2

DEPARTMENT OF STATE

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Pet 6 Libya

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A-184 NO. UNCLASSIFIED F800004-0363 HANDLING INDICATOR

TO : Department of State

INFO : BEIRUT, CAIRO

RECEIVED DEC 21 1972

FROM : Amembassy Tripoli DATE: December 11, 1972

SUBJECT: The (Libyan) National Oil Company

REF : Tripoli A-178, November 30, 1972

Enclosed is a summary translation of key portions of a recently-published booklet, The National Oil Company: Information, Facts and Figures, published by NOC's Public Relations Department.

The information on NOC's operations should prove valuable to U.S. firms seeking to bid on projects NOC will be launching over the next two years. We have included a rather lengthy section on NOC's training efforts because "Libyanization" of the work force is a prime goal of the country's leaders. American firms who deal with NOC would be well advised to include training programs for Libyans in their proposals whenever possible. U.S. firms may therefore wish to acquaint themselves with what NOC has already accomplished and planned in this regard.

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Enclosure
Summary of NOC's Booklet
(pages 1-11)

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FORM 4-62 DS-323

Drafted by: ECON:JRCountryman:s

Contents and Classification Approved by: ADCM-CEMarthinsen

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NATIONAL OIL CORPORATION

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Post Office Box 2655
Tripoli, Libyan Arab Republic

Phone: 33511/12/13/14
42222/23/24

Cable Address: LINAFT

BENGHAZI BRANCH

Ben Shatwan Street - al Barka
Post Office Box 2978
Benghazi, Libyan Arab Republic

Phone: 6355/ 6366

Cable Address: LINAFT

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1. EXPLORATION AND PRODUCTION

A. Exploration

NOC started its first exploration activities at the end of 1968 in joint ventures with the following operating companies: Aquitaine/Alpha, AGIP, Ashland and Shell.

In areas assigned to the NOC, exploration programs have been carried out and are currently being evaluated. Studies have indicated the existence of oil-bearing strata of possible importance in the following areas:

1) Eastern LAR: A 2,500 square km seismic survey program is under way in this basin. An exploratory drilling program will be drawn up in the light of results of these surveys.

2) Central LAR: Seismic data is under study and evaluation in conjunction with geological studies to determine the economic importance of certain concession blocks that have been assigned to NOC.

3) Western LAR: Certain areas have been delimited for detailed studies, in addition to current studies being carried on by international experts.

NOC EXPLORATORY ACTIVITY

No. of Zone	Area by Km^2	Petroleum Sections	Status
33	73,947	1. Ghadames, Sirte & Sabratah basins	Oil discovered; reserves being evaluated.
24	40,638	2. East of Sirte basin & Barqa hill	Preparing geophysical survey
5	15,800	3. Sirte & El-Sarir basins	First well drilling in preparation
23	102,797	4. West Ghadames basin & Marzug	Evaluation of producing areas.

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JOINT VENTURE EXPLORATORY
ACTIVITY

Company	Area by Km^2	Petroleum Sections	Status
Aquitaine/ Alpha Libya	30,436	2. East of Sirte basin Barqa hill	Good quality oil discovered
AGIP	20,017	2 & 3. Sirte basin	Oil discovered
Shell	19,964	2. Sirte basin & Barqa hill	No discovery yet
Ashland	Company's work has been terminated.		

JOINT VENTURE DRILLING ACTIVITY
(1969-1971)

Year	Number of wells				Total feet [illegible]lled
	Drilled	Dry	Gas produced	Oil produced	
1969	3	3	-	-	32680
1970	4	3	-	1	38947
1971	6	3	1	2	67081
Total:	13	9	1	3	137808

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B. Production

NOC is producing oil from the Umm al-Farud field, a former Phillips concession relinquished to NOC on January 5, 1971. The daily production of the field is approximately 4000 barrels. The total production of this field from November1962 through December 31, 1971, was 13,643,975 barrels.

NOC has drilled a development well in the same field under the full supervision of Libyans. The daily production of this well is 1000 barrels. Production from the field is pumped to Ras Lanuf Port via the Sirtica pipe line, which belongs to the Mobil Oil Company. Basin data on the Umm al-Farud field is as follows:

Location	Sirte Basin
Explored	By Phillips Petroleum Co.
Exploration date	November 1962
Number of wells	7 oil producers
	3 water producers
	6 water injections
Field production (1971)	1,345,155 barrels
Quantity exported	1,118,263 barrels
Number of shipments	5

NOC is studying a project to lay pipe lines linking the El-Hamada/El Hamra area, in the Western part of the LAR, to the coast near the Zawia Refinery. The preliminary specifications for the pipe line will be as follows:

Total length	400 kilometers
Diameter	20 inches
Preliminary pumping capacity	60,000 b/d
Final pumping capacity	150,000 b/d

2. REFINERY AND INDUSTRIAL APPLICATIONS

NOC has made plans to construct two refineries, an ammonia plant, a methanol plant, and a lube oil plant.

1. Zawia Refinery

The plant is located at Zawia in the Western part of the LAR. A contract for its construction was signed with the Italian firm Sinam Progetti in May 1971. The plant should be handed over to NOC by the last quarter of 1973, and when completed will cost approximately LD 25 million. Refinery capacity will be 60,000 b/d, which will cover local consumption; the remainder will be exported

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to international markets. The Zawia Refinery complex consists of:

1. A unit to extract salt and water from crude with a capacity of 7500 tons/day
2. A naphtha distillation unit with a capacity of 7500 tons/day
3. A naphtha hydrogen treatment unit with a capacity of 8320 tons/day
4. A gas unit with a capacity of 6500 tons/day
5. A kerosine hydrogen treatment unit-capacity of 9500 tons day
6. A liquified gas unit
7. A power station
8. A salt water cooling station
9. A compressor station
10. An oil-water separation unit
11. A sea water distillation unit
12. Offices, workshops, fire house, and housing facilities

Two floating docks will be constructed to receive crude and export products. One dock will be capable of receiving 100,000 ton tankers and will be linked to the shore by two pipe lines. The second dock will be used to carry gas, kerosine, naphtha and diesel oil and will be capable of serving tankers of up to 30,000 tons. It will also be linked to the shore by two 16" pipe lines. The Zawia Refinery will rely on crude exported from Brega and Sedra ports.

2. Lube Oil Plant

Studies for this plant were begun by the Shell Company in 1971. The design capacity is for 220,000 barrels per year, which will cover domestic consumption for several years to come. The lube oil will be canned in one, four and twenty-liter cans and in barrels of forty gallons. The plant is scheduled to begin operation at the same time as the Zawia Refinery. The plant will consist of;

1. Storage for blending oils
2. Storage tanks for mixing oils
3. Filling and pumping equipment
4. Metal can plant (1, 4 and 20 liters)
5. Pipe line linking the plant and the floating docks to receive oils.

Oil qualities and quantities to be produced yearly are as follows:

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Type of oil	Quantity
Motor oil (high grade)	60,000
Transmission oil (high grade)	15,000
Transmission oil (normal grade)	500
Diesel oil (high grade)	130,000
Diesel oil (normal grade)	1,500
Industrial oils	13,000
TOTAL	220,000

3. Ammonia and Methanol Plants

These plants will be situated in the Eastern part of the country near the port of Brega. Technical data and specifications are under preparation for an international tender.

The ammonia plant is scheduled to start producing liquid ammonia in 1974 with a capacity of 1000 tons per day, the majority of which will be exported.

The methanol plant will produce 1000 tons per day. It is the first methanol plant in the Arab world. The majority of its production will be exported.

4. Tobruq Refinery

NOC and a consultant firm are studying the economics for the construction of a refinery with an initial capacity of 120-150 thousand barrels per day. The production will be exported.

5. Central Laboratory in Zanzour

This facility has been planned to carry out analyses in connection with exploration, drilling, production, refining and any other petroleum-related activity.

3. MARKETING, DISTRIBUTION and TRANSPORTATION

Following the nationalization of the three former oil marketing companies they were merged under the name "Brega Oil Marketing Corporation (BOMAC)." A contract was subsequently concluded for refining Libyan crude oil abroad (covering approximately two-thirds of local requirements) with the remaining third being funnelled from the Brega Oil Refinery.

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Through BOMAC, prices of oil products have been unified throughout the country and, in cooperation with the Ministry of Economy, successive reductions were made in prices of liquified bottled gas.

With the objective of further developing the oil industry in the LAR, a principal oil storage depot will be erected near the Tripoli International Airport Highway which will store oil products from the Zawia Oil Refinery.

The NOC is also purchasing two oil tankers which will become the nucleus of the Libyan tanker fleet.

Daily Consumption of Refined Products
During 1967-1971
(by barrels)

Product	Year				
	1967	1968	1969	1970	1971
Gas	2764	3594	4353	4705	4900
Kerosine	1572	2141	2741	2963	3247
Naphtha	3919	7398	8411	7280	6593
Fuel oil	208	1575	3037	2325	3396
Other products	1147	2375	2407	1876	2042
TOTAL:	9610	17083	19949	19249	20178

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4. PLANNING AND RESEARCH

The Planning and Research Division of the NOC has made technical and economic studies in the following areas:

a) Cost estimates of production for the refineries and the ammonia and methanol plants.

b) Cost and price studies of the crude oil sold by NOC in international markets, both royalty oil and the oil produced from NOC's acreage.

c) Feasibility studies for various projects planned in the years to come.

d) The possible use of computers for handling statistical information or in conjunction with project studies.

e) The marketing of petrochemical products and fertilizers which NOC may produce.

f) Oil tanker project.

5. TRAINING

The NOC currently has 102 trainees studying abroad and plans to assign an additional 164 within the next few months. In addition seven individuals have completed their training abroad; twenty their local training, and thirteen more are still under training in institutes in the LAR. The following tables give additional information about NOC's various training efforts:

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TRAINING COURSES

Field	Course	Training Location	Period (Months)	No. of Trainees
Accounting	Cost accounting	U.K.	Six	One
Drawing	Engineering drawing	U.K.	Six	One
Petroleum Engineering	Evaluation of reserves	Austria	Six	One
Chemistry	Training in chemical analysis	Austria	Six	Two
Economics	Marketing petroleum products	Austria	Six	
Chemistry	Distillation equipment and analysis of products	Italy	Six	Five
Chemistry	Preparation for the supervision of a central laboratory	Netherlands	Nine	Four
Inventory and Instrument Clerks	Inventory and classification of instruments and equipment	Netherlands	Six	Two

LOCAL TRAINING AT THE NATIONAL INSTITUTE OF MANAGEMENT

Course	Position	Number	Period (Weeks)
Systems and operations methods	Architect	One	Eight
Personnel affairs	Head of Personnel Division	One	Four
Office management	Assistant Head of Personnel Division	One	Four
Administrative control	Manager of Administrative Affairs	One	Two
Clerk/typists	Clerk/typists	Two	(Six months)

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LOCAL TRAINING AT OIL COMPANIES

Type of Training	Trainee's Position	Period	Company
Introduction to test control equipment at Brega Gas Plant	Instruments Engineer	1 month	Esso
Practical training in refining operations	Petrochemical Engineer	2 months	Esso
Analytical operations on Brega Refinery products	Petrochemical Engineer	1 month	Esso
Introduction to tabulation and classification of equipment and spare parts used in the oil industry	Equipment Technicians	3 months	Oxy/ Esso
Public Relations	Public Relations Officer	2 weeks	Esso

LOCAL TRAINING AT LANGUAGE CENTERS

Course	Number of Participants	Period
General course in the English Language	20	3 months
Advanced English Grammar and usage	1	4 weeks
Advanced English (Report Preparation course)	4	4 weeks
Advanced writing	2	4 weeks
General course in English and Typing for secretaries	1	4 weeks

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UNIVERSITY TRAINING

Field	Course	Training Location	Period (Years)
Geology	Higher studies at the French Oil College	France	Two
Geology	Masters Degree	U.S.A.	Two
Geophysics	Masters Degree	U.S.A.	Two
Petroleum Engineering	Masters Degree	U.S.A.	Two
Economics	Masters Degree	U.S.A.	Two

SEMINARS

Field	Course	Location	No. of Fellowships
Geology	Seminar held by Schlumberger Company	France	Two
Management	Introducing computers	Tripoli, LAR	Three
Management	Modern management methods	Beirut	Three
Accounts	Accounting systems	Cairo	One
Accounts	Costs of marketing	Cairo	One
Accounts	Costs of petroleum	Cairo	One
Public Relations	General management	Cairo	Two
Petroleum Technology	Supervision of storage tanks	Cairo	One

PREPARING QUALIFIED TECHNICIANS

Specialty	Training Location: Egypt	France	U.S.A.	Italy	Total
Operations	30	32	--	28	90
Sensitive equipment	3	3	11	--	17
Electricity	4	3	--	8	15
Mechanics and maintenance	9	5	--	--	14
Cooling systems	2	2	--	--	4
Analysis	--	2	--	--	2
Total	48	47	11	36	142

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Pet & Libya

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ACTION AF-18

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INFO AMEMBASSY BEIRUT
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AMEMBASSY KUWAIT
AMEMBASSY LONDON
AMEMBASSY PARIS

Classification Extended By:
C.E. McManaway
A/CDC 8/11/1980
P800117-1414 RDS-3 12/14/84

C O N F I D E N T I A L TRIPOLI 1879

SUBJ: LARG/BURNKER HUNT RELATIONS

REF: TRIPOLI 1866

Pet & Libya

1. EMBOFF INFORMED CHARGE' THAT WHEN BUNKER HUNT REP RIED RETURNED TO BENGHAZI DECEMBER 10, AFTER RECESS IN PARTICIPATION NEGOTIATIONS, HE WAS SUMMONED BY ARAB GULF EXPLORATION COMPANY (AGEC) AND INFORMED THAT BH WOULD NOT BE PERMITTED AS OF THAT DAY TO MAKE FURTHER LIFTINGS FOR DECEMBER. AGEC STRESSED THAT DECISION NOT LINKED WITH BH'S CURRENT PARTICIPATION NEGOTIATIONS BUT TAKEN TO CORRECT OVERLIFT POSITION IN WHICH COMPANY HAD FOUND ITSELF FOR SOME TIME.

2. BH LIFTINGS THROUGH DECEMBER 10 AVERAGED OUT TO ABOUT 60,000 B/D, WHEREAS COMPANY'S ALLOWABLE IS 115,200 B/D. BH HAS PRESENTED AGEC WITH LETTER OF PROTEST AND STATED THAT SINCE TANKERS ALREADY NOMINATED FOR MONTH THEY WILL CONTINUE TO ARRIVE AT TOBRUQ TERMINAL WITH AGEC BEARING RESPONSIBILITY FOR

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Tripoli 1879 12/14/72

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DEMURRAGE IF THERE ARE DELAYS IN CRUDE LOADING.

3. AGEC HAS INFORMED BH THAT ADDITIONAL REASON FOR CUTTING LATTER'S ALLOWABLE IS FACT AGEC MUST INCREASE ITS OFF TAKE TO APPROXIMATELY 200,000 B/D FOR REMAINDER OF YEAR TO "MEET COMMITMENTS."

4. COMMENT: IT IS OUR UNDERSTANDING AT LEAST ONE EAST EUROPEAN BUYER OF AGEC CRUDE HAD PROBLEMS WITH WAS CONTENT. WE ARE ATTEMPTING TO DISCOVER NATURE OF "COMMITMENT" WHICH IS CAUSING AGEC TO SCRAMBLE FOR INCREASED PRODUCTION THIS MONTH. MEANWHILE, WE PREPARED ACCEPT AGEC'S "COMMITMENTS" AS REASON FOR REDUCING BH ALLOWABLE RATHER THAN MEANS OF PRESSURING BH IN CURRENT PARTICIPATION TALKS.

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ACTION EB-03

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INFO AMEMBASSY LONDON

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S E C R E T SECTION 1 OF 2 TEHRAN 7637

LIMDIS

SUBJECT: PETROLEUM - GOI/CONSORTIUM NEGOTIATIONS

REF: A. STATE 209669 B. STATE 212402 C. TEHRAN 7573

Tehran 7637 12/19/72

SUMMARY:

[redacted] CALLED IN CHARGE [redacted] ON [redacted] FOR OIL NEGOTIATION BRIEFING WHICH TURNED OUT TO BE LONG PRESENTATION ON "SALES AND PURCHASES" CONTRACT ARRANGEMENT. [redacted] APPARENTLY SOLD SHAH ON THIS ARRANGEMENT AS BEST WAY PROTECT AND ENHANCE SHAH'S IMAGE, BUT IN EMBASSY'S VIEW "PACKAGE" IS STILL POSSIBLE IF COMPANIES MAKE IT CLEARLY AND SUBSTANTIALLY SUPERIOR TO PARTICIPATION. [redacted] PRESENTATION ALSO SHOWED HE IGNORING OR UNAWARE OF EXTENT AND GRAVITY OF SERIOUS PROBLEMS "SALES AND PURCHASE" CONTRACT CONCEPT WILL PRESENT.

B.1

ACTION REQUESTED - NONE

END SUMMARY

1. CHARGE CALLED ON [redacted] FOR WHAT LATTER HAD DESCRIBED AS A BRIEFING THE SHAH HAD INSTRUCTED HIM TO PRESENT. BRIEFING TURNED OUT TO BE HOUR-LONG PRESENTATION ON IRAN'S LATEST PROPOSALS TO THE CONSORTIUM.

B.1

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2. [redacted]

[redacted] WARN THE OIL COMPANIES NOT TO OVER-INVEST IN LIBYA AND THEREBY STRENGTHEN A COUNTRY AND GOVERNMENT WHICH COULD NOT POSSIBLY ABSORB ADDITIONAL WEALTH AND WHICH COULD CAUSE A LOT OF TROUBLE FOR THE OIL COMPANIES. AS IT TURNED OUT, LIBYA HAD LOWERED THE BOOM ON THE OIL COMPANIES LONG BEFORE IRAN ANTICIPATED IT WOULD DO SO. THE GOI HAD GUESSED THAT LIBYA WOULD WAIT UNTIL IT HAD ACCUMULATED $10 BILLION IN RESERVE, BUT THE MOVE CAME WHEN LIBYA HAD ACQUIRED ABOUT $4 BILLION.

3. [redacted] REVIEW BRIEFLY THE HISTORY OF OIL NOGOTIATIONS SINCE EARLY 1950'S AND TO POINT OUT

THE GREAT DIVERSITY IN POLICIES FOLLOWED BY OIL PRODUCING COUNTRIES. THEY HAD DEVELOPED A COMMON FRONT DURING THE TEHRAN NEGOTIATIONS BUT GENERALLY OVER THE YEARS THEY HAD GONE THEIR SEPARATE WAYS. HE SAID THIS WAS TRUE TODAY WITH OPEC MEMBERS PURSUING EIGHT DIFFERENT ROADS TO PARTICIPATION.
IN ALL THIS TURMOIL OVER OIL NEGOTIATIONS ONLY IRAN HAD PLAYED A RESPONSIBLE ROLE AND THE SHAH WAS DETERMINED TO CONTINUE TO FOLLOW THIS POLICY. THE US AND THE WEST NEEDED IRAN'S OIL, BUT IRAN NEEDED THE WEST AND IT WAS NOT IN THE INTERESTS OF EITHER SIDE TO UPSET THIS RELATIONSHIP. WHAT SHAH WAS LOOKING FOR AND WANTED TO PRESENT TO THE WEST WAS ARRANGEMENT WHICH GAVE CONSUMING COUNTRIES A SECURE AND RELIABLE SOURCE OF OIL, THE OIL COMPANIES A REASONABLE PROFIT AND PROVIDED THE CONSUMER REASONABLE PRICES, AND WHICH AT THE SAME TIME WAS POLITICALLY ACCEPTABLE IN IRAN BY PROTECTING THE SHAH AGAINST CRITICISM BY LEFT WING ELEMENTS IN ARAB WORLD AND ELSEWHERE. ALL OF THESE OJRECTIVES COULD BE ACHIEVED WITH A SALES AND PURCHASES CONTRACT.

4. [redacted] OFFERED ANOTHER JUSTIFICATION FOR THE SALES AND PURCHASES CONTRACT. HE SAID THAT IRAN RECOGNIZED THAT OIL COMPANIES WERE SHORT OF CAPITAL AND CERTAINLY LACKED THE MEANS TO MOBILIZE THE MANY BILLIONS OF DOLLARS REQUIRED FOR FUTURE DEVELOPMENTS AND EXPANSION. HERE IRAN OVER THE YEARS COULD HELP THROUGH THE SALES AND PURCHASE CONTRACT. IT WAS SOLVENT, ITS INCOME WAS INCREASING, AND IT COULD HELP BY PUTTING OUT

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SOME OF THE CASH.

5[ ] SALES AND PURCHASES CONTRACT WOULD INVOLVE: B1

(A) PURCHASE OF OIL COMPANY ASSETS BY IRAN

(B) CAPITAL INVESTMENT BY IRAN IN NEW FACILITIES

(C) SOUND OPERATION WITHIN IRAN WITH GUARANTEED DELIVERIES ON SCHEDULE; AND

(D) A DISCOUNT PRICE FOR CRUDE WHICH THE SHAH WAS PREPARED TO OFFER THE COMPANIES WHO BELONG TO THE CONSORTIUM.

THIS KIND OF ARRANGEMENT COULD BE OPEN-ENDED AND COULD ENDURE BETWEEN IRAN AND THE OIL COMPANIES AS LONG AS THERE WAS A DROP OF OIL IN IRAN. ONCE THE FRAMEWORK WAS ESTABLISHED THE ONLY CHANGES THAT MIGHT OCCUR WHOULD BE THE PERIODIC NEGOTIATIONS ON PRICES OF OIL.

6[ ] HE RECOGNIZED THIS ARRANGEMENT POSED A B1
PROBLEM FOR AMERICAN OIL COMPANIES BECAUSE OF US TAX LAWS. TAX EXEMPTIONS FOR US COMPANIES WOULD HAVE TO BE WORKED OUT, BUT HE WAS CONFIDENT THAT THIS COULD BE ACHIEVED ESPECIALLY IF THE AMERICAN COMPANIES WERE OFFERED OIL AT THE WELL HEAD.

7[ ] PRESENTED FURTHER JUSTIFICATIONS, FIRST BY B1
EMPHASIZING THE IMPORTANCE OF THIS ARRANGEMENT TO THE US AND ITS ALLIES IN GUARANTEEING SECURE SUPPLIES. HE SAID THE GERMANS WERE WORRIED STIFF BECAUSE THEY FEARED AN OIL EMBARGO FOR POLITICAL REASONS BY THE ARAB STATES, AND IF A SALES PURCHASE CONTRACT WERE WORKED OUT BETWEEN IRAN AND THE COMPANIES, GERMANY'S FEARS WOULD EVAPORATE. SECONDLY, HE SAID THAT WITH THE NEW AHWAZ DISCOVERY, IRAN'S OIL RESERVES HAD INCREASED SUBSTANTIALLY. THE LATEST ESTIMATES ON THIS NEW DISCOVERY WAS THAT IT HAD AT LEAST 90 BILLION BARRELS AND THIS PUT IRAN UP CLOSER TO SAUDI ARABIA IN TOTAL PROVEN RESERVES. HE ALSO NOTED THAT THE SHAH HAD CALCULATED THAT IF IRAN'S OIL PROJECTIONS WORK OUT AS PLANNED FOR INCREASED PRODUCTION IN FIVE YEARS IRAN WILL BE PAYING AN IMPORT BILL FROM THE WEST OF APPROXIMATELY EIGHT BILLION DOLLARS. THESE TWO FACTORS CONSITUTED ANOTHER

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TO SECSTATE WASHDC 0645
INFO AMEMBASSY LONDON

S E C R E T SECTION 2 OF 2 TEHRAN 7637

LIMDIS

REASON TO WORK OUT A SECURE, STABLE AND LONG-LASTING OIL RELA-
TIONSHIP BETWEEN THE TWO SIDES.

8. SHAH HAD MADE THIS PRESENTATION TO JAMIESON AND HIS ASSOCIATES AND THEY HAD AGREED TO CONSIDER THEM AND COME BACK EARLY IN JANUARY FOR FURTHER TALKS WITH THE SHAH. AGREED, SUBJECT TO THE SHAH'S VIEWS, TO PREPARE A "PIECE OF PAPER" SUMMARIZING THE FOREGOING FOR OUR BENEFIT. CONCLUDED MEETING BY SAYING OIL NEGOTIATIONS OF THIS SORT NORMALLY TAKE PLACE WITH THE OIL COMPANIES WITHOUT INVOLVING CONSUMER GOVERNMENTS, BUT THIS MATTER WAS SO IMPORTANT IN SETTING PRECEDENTS FOR THE FUTURE IN AN AREA VITAL TO THE SECURITY AND WELFARE OF BOTH SIDES, THAT SHAH WISHED TO BRING MATTER TO OUR ATTENTION ALSO.

9. COMMENT:

(A) ALTHOUGH IT IS NOW CLEAR THAT SHAH PERSUADED SALES AND PURCHASES CONTRACT WOULD BE BEST WAY TO GET AHEAD OF PARTICIPATION AND THUS PROTECT AND ENHANCE HIS IMAGE AS LEADING OIL STATESMAN, DOES NOT APPEAR THAT "PACKAGE" FORMULA IS IRREVOCABLY FORECLOSED. "PACKAGE" CLEARLY PROVIDES MORE MONEY AND/OR OIL THAN PARTICIPATION COULD STILL BE ACCEPTABLE TO SHAH. IN FACT, EARNESTNESS WITH WHICH PUSHING SALES AND PUR-

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CHASES CONTRACT IDEA, AND OTHER INDICATIONS WE HAVE HAD, SUGGEST TO US HE IS AFRAID COMPANIES MAY WELL OFFER THIS AND DEPRIVE HIM OF CREDIT WITH SHAH FOR SUCCESS OF NEW CONCEPT. NONETHELESS, HE HAS CLEARLY GONE A LONG WAY IN SELLING SALES AND PURCHASES IDEA TO SHAH; TO PRESERVE "PACKAGE", COMPANIES WILL HAVE TO MAKE IT CLEARLY, SUBSTANTIALLY, AND UNEQUIVOCALLY SUPERIOR TO PARTICIPATION.

(B) OUR READING OF OIL COMPANIES ATTITUDES FROM HERE [redacted] IS THAT SALES AND PURCHASES CONTRACT WOULD PROBABLY END ONCE AND FOR ALL ANY SPECIAL STATUS FOR IRAN AS ESPECIALLY SECURE AND DESIRABLE SUPPLIER. B1

(C) NEGOTIATION OF [redacted] "PURCHASE OF OIL COMPANY ASSETS" AND AMOUNT OF IRANIAN CAPITAL INVESTMENT IN OUR VIEW WOULD BE ENORMOUSLY COMPLICATED AND DIFFICULT AND LIKELY END IN BAD FEELING ON BOTH SIDES. IN PARTICULAR, CONSORTIUM HAS NO ASSETS IN IRAN, ONLY RIGHT OF USE, QUANTIFICATION AND VALUATION OF WHICH WILL BE TANGLED AND TIME-CONSUMING. B1

(D) [redacted] SOLUTION TO TAX PROBLEM APPARENTLY IS IRANIAN SUBSIDIARY FOR EACH PURCHASER. SUBSIDIARY WOULD BUY OIL FROM GOI AT WELL HEAD AND PAY IRANIAN TAXES WHICH COULD BE SET OFF AGAINST US TAXES BY PARENT COMPANIES. APPEARS TO US FROM THIS THAT [redacted] HAS NOT GRASPED OR IS IGNORING FULL RANGE OF US TAX PROBLEMS PRESENTED BY SALES AND PURCHASES AGREEMENT. B1

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Department of State

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ACTION AF-18

DEPARTMENT OF STATE A/CDC/MR
REVIEWED BY cf DATE 3/4/82
PORTIONS DENIED AS CLASSIFIED

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C O N F I D E N T I A L TRIPOLI 1903

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REF: TRIPOLI 1866 Pet 6 Libya

SUMMARY: LOCAL OIL COMPANY EXECUTIVES HAVE EXPRESSED TO US CONCERN OVER DECEMBER 14 NEW YORK TIMES ARTICLE BY HENRY TANNER REPORTING ON BUNKER HUNT PARTICIPATION NEGOTIATIONS WITH LARG. MINISTRY OF PETROLEUM AND LOCAL OIL COMPANIES [illegible] AGREEMENT TO HOLD DOWN PUBLICITY REGARDING PARTICIPATION TALKS. END SUMMARY.

1. [redacted] B1
HAS EXPRESSED TO US CONCERN OF INDUSTRY OVER NEW YORK TIMES CORRESPONDENT HENRY TANNER'S ARTICLE WITH HEADLINE IN INTERNATIONAL HERALD TRIBUNE "U.S. OIL FIRM REJECTS LIBYAN SHARE DEMAND." (TRIBUNE ARTICLE IS ONLY VERSION WE HAVE SEEN APART FROM WIRELESS FILE SUMMARY). SAME SENTIMENTS HAVE BEEN ECHOED BY [redacted] AND WE ASSUME ARE SHARED BY OTHERS.

2. [redacted] COMPANIES ANXIOUS TO AVOID IMPRESSION SOME SORT OF CRUNCH APPROACHING WITH LARG ON PARTICIPATION ISSUE. HE CONCERNED THAT SUCH EMOTION-LADEN LANGUAGE IN TANNER ARTICLE AS NEGOTIATIONS "WERE BROKEN OFF" AND "THE CONFRONTATION BETWEEN LIBYA AND THE OIL COMPANIES" WILL PRODUCE ATMOSPHERE FROM WHICH ONLY LIBYAN SIDE CAN BENEFIT. [redacted] TANNER'S MENTION OF COORDIN- (B1,E)

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ATING TEAM'S PRESENCE IN LIBYA HAD ALSO BEEN UNFORTUNATE. LARG IS SENSITIVE TO OIL COMPANIES "GANGING UP ON IT" AND DOES NOT LIKE TO SEE PUBLICATION OF FACT COMPANIES CONSULTING WITH ONE ANOTHER. FINALLY, [redacted] WERE DISPLEASED WITH TANNER'S SPECULATION ABOUT NET BOOK VALUE VS UPDATED BOOK VALUE AND QUARTER-WAY PRICE VS HALF-WAY PRICE AS ELEMENTS IN NEGOTIATIONS.

3. [redacted]

4. FYI: DURING RECENT VISIT HERE FROM CAIRO, TANNER SPOKE WITH ECONOFFICER, ACTING DCM AND CHARGE, NONE OF WHOM PLAYED UP "CONFRONTATION" ASPECT OF PARTICIPATION TALKS. NOR DID THEY MENTION PRESENCE OF COORDINATING TEAM OR ISSUE OF UPDATED BOOK VALUE OR QUARTER-WAY PRICE. END FYI.

5. COMMENT: OIL COMPANIES' SENSITIVITY TO EFFECTS ON LIBYANS OF PRESS TREATMENT OF NEGOTIATIONS IS BASED ON THEIR CONVICTION THAT CARNIVAL ATMOSPHERE WHICH ATTENDED 1971 POSTED PRICE NEGOTIATIONS WORKED TO LARG'S ADVANTAGE; COMPANIES WERE PLEASED THAT THEY AVOIDED EXAGGERATED PUBLICITY DURING THIS YEAR'S PARITY TALKS. WE SUGGEST THAT DEPARTMENT, SHOULD APPROPRIATE OCCASION ARISE, TAKE POSITION THAT ROUTINE NEGOTIATIONS ARE PROCEEDING IN BUSINESSLIKE FASHION. WE HAVE ASSURED LOCAL COMPANIES THAT WE AND DEPARTMENT FULLY APPRECIATE HOW DESTRUCTIVE SPECULATION ON SPECIFIC TERMS CAN BE TO ORDERLY PROCESS OF NEGOTIATION. FINALLY, WE FIND ENCOURAGING FACT THAT LARG AND OIL COMPANIES HAVE WORKING AGREEMENT ON LIMITING RELEASE OF INFORMATION RE PARTICIPATION TALKS.

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NOTE BY OC/I: NOT PASSED CAIRO

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AF/N - MR. ODELL

CLEARANCES

CLEARANCES

ROUTINE TRIPOLI

ROUTINE LONDON, THE HAGUE, BEIRUT, JIDDA, TEHRAN, PARIS, ROME

INITIALS

SUBJECT: PETROLEUM: LARG REQUESTS PARTICIPATION TALKS WITH OASIS

1. LARG HAS REQUESTED THREE US PARTNERS OF OASIS GROUP (CONTINENTAL, MARATHON, AMERADA HESS) TO COME TO TRIPOLI JAN 10 TO DISCUSS PARTICIPATION. LIBYANS DID NOT REQUEST THAT SHELL JOIN ITS PARTNERS, AND DID NOT MENTION THAT PARTICIPATION MUST BE ALONG ENI FORMULA.

2. COMPANIES BELIEVE LIBYANS NOW PREPARED TO OPEN SERIOUS PARTICIPATION DISCUSSIONS FOLLOWING SIGNATURE OF PARTICIPATION AGREEMENTS WITH SAUDI ARABIA AND ABU DHABI. OASIS, HOWEVEVER, IS NOT MOST VULNERABLE TARGET AVAILABLE AND LIBYANS' READINESS TO TALK TO THREE PARTNERS TOGETHER TAKEN AS GOOD SIGN, ALTHOUGH COMPANIES PUZZLED BY EXCLUSION OF SHELL. COMPANIES WILL BE MEETING IN NEW YORK NEXT WEEK TO DETERMINE INDUSTRY STRATEGY (WHICH WILL PRESUMABLY BE TO TABLE PARTICIPATION PROPOSAL ALONG LINES OF GULF AGREEMENT.)

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TO SECSTATE WASHDC 9515
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AMEMBASSY JIDDA
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C O N F I D E N T I A L TRIPOLI 1925

1. [redacted] TELLS US THAT OASIS PRODUCING PARTNERS -- AMERADA, CONTINENTAL, AND MARATHON -- HAVE BEEN REQUESTED BY LARG TO MEET WITH PETROLEUM MINISTER MABRUK JANUARY 10 TO BEGIN DISCUSSIONS ON PARTICIPATION.

2. [redacted] COMPANIES WILL EACH SEND A REP FROM THE STATES TO TRIPOLI FOR THE TALKS WHICH HE EXPECTS WILL BE AT THE MINISTERIAL LEVEL.

3. [redacted] IN ABSENCE ANY PROGRESS TOWARD AGREEMENT ON PARTICIPATION IN RECENT TALKS WITH BUNKER HUNT, LARG HAS SIMPLY SHIFTED ITS SIGHTS TO OASIS. FOR SOME TIME HE HAD THOUGHT OASIS WAS NEXT LOGICAL TARGET, AS IT THE LARGEST AND "MOST EFFICIENT" PRODUCER IN LIBYA. FOR LEGAL AND TECHNICAL REASONS, HE ATTACHED NO IMPORTANCE TO ABSENCE OF SHELL FROM OASIS PARTICIPANTS CALLED IN.

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4. I THAT ABOVE BE HELD IN STRICT CONFIDENCE FOR A FEW DAYS. GDS.
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